# Stamper Capital & Investments, Inc.

“Focusing on Upside Potential with Downside Protection Since 1995.”

## This Commentary is an Update of the Successful May 1999 "Best Opportunity"

September 27, 2001

**Our study is based on relationships between the S&P 500, the US Treasury Long Bond and Municipal Bonds. In the study, we compare the yields (dividend yield for the S&P 500) of each of the categories by graphing them relative to each other (graphs are at the bottom of this article) over a long period of time. In hindsight, our original study in May 1999 correctly predicted that municipal bonds were a much better investment than stocks. This updated study shows that success and makes a compelling case that:**

**Stocks are still expensive relative to bonds:** They were their most expensive at the end of 1999 (about eight months after our initial study). If you look at graph #1, you will see that the S&P dividend yield divided by the U.S. Treasury Long Bond Yield is still very low on a relative basis. Thus, stocks (as measured by the S&P are still very expensive verses bond yields (as measured by the U.S. Treasury Long bond).

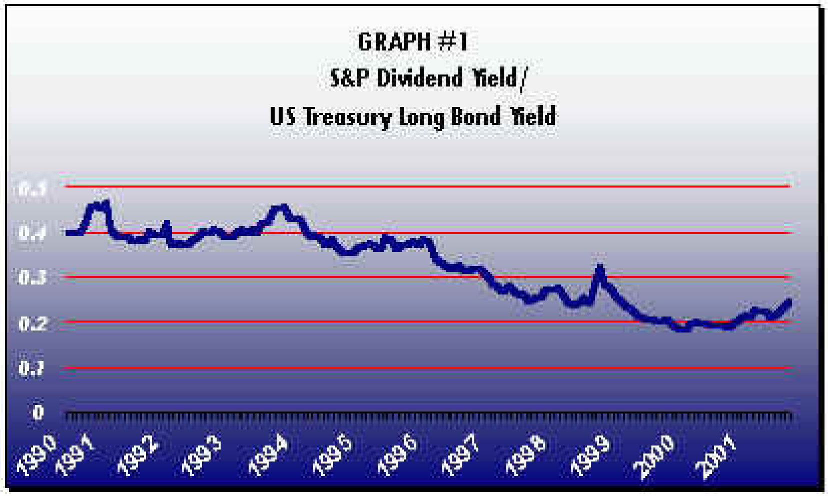
**Municipal bonds are still cheap relative to U.S. Treasury Yields**: If you look at graph #2, you will see that the yield of the Bond Buyer 40 Index divided by the yield of the U.S. Treasury long bond is still high at 92%. A more normal level is in the high 80 percent range with a U.S. Treasuries being a bargain when municipal's (as measured by the Bond Buyer 40 Index) yield less than 85% of the U.S. Treasury long bond. So municipals are still cheap (even though they have already outperformed by contributing more income for high tax-bracket holders).

**Municipal bonds are still even a better value relative to stocks:** "The Clincher"- graph #3 shows that on a relative value basis municipal bonds became the most attractive relative to stocks at the end of 1999 (same as for U.S. Treasuries) and they have already performed very well on a relative basis. But, based on this analysis, stocks still have a ways to go (down) before normal historical relationships are reached.

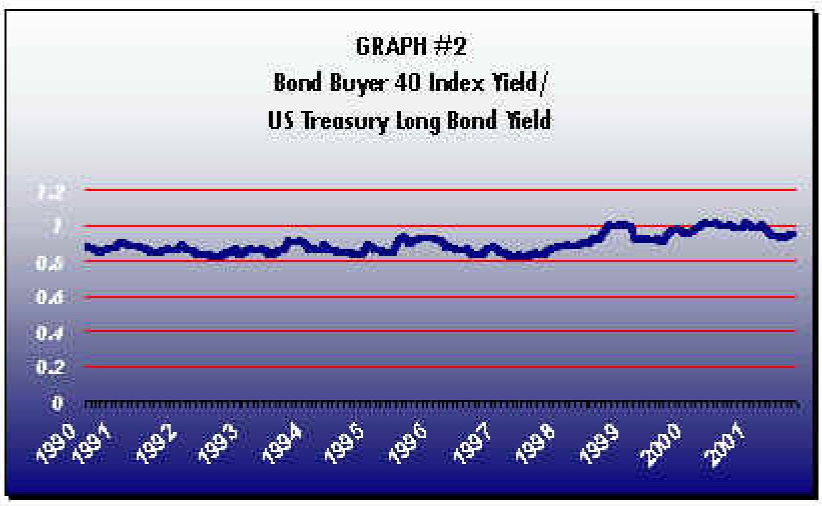
**Thus, our original contention from April 1999, which has already paid off, still holds:**

U.S. Treasuries are still cheap to stocks and Tax-Free municipal bonds are still cheap to U.S. Treasuries. Therefore, Municipal Bonds are still a considerable value compared to stocks!

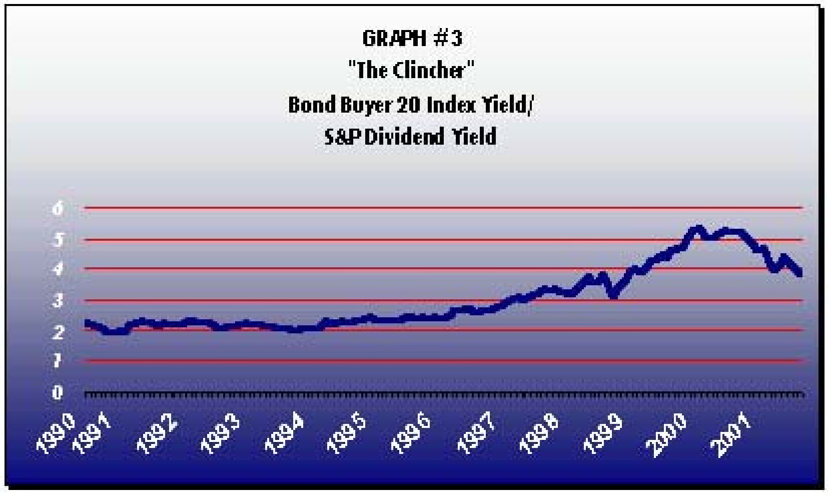
And the best part is that you get paid a bigger yield if you own bonds (even better with municipal bonds) while waiting for stocks to drop (as you did over the past two and a half years)!!!




The lower the number, the more unattractive stocks are relative to long-term US Treasuries.




The higher the number, the more attractive munis are relative to US Treasuries.




The higher the number the more attractive munis are than stocks

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Stamper Capital & Investments, Inc. provides portfolio management services exclusively for institutional and high net worth accounts and does not sell the mutual funds for which it is a sub-adviser. Also, please note: purchasers of mutual funds must receive a copy of a particular mutual fund's prospectus before a purchase is made.

Stamper Capital & Investments, Inc. has been the sub-adviser to this Fund since October 1995 and B. Clark Stamper, our President, has been its Portfolio Manager since June 1990.

Past performance does not guarantee future results, and current performance may be higher or lower than the performance data quoted. Investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost.

Returns - Figures quoted are total returns calculated for the share class and time periods shown. Performance includes the reinvestment of income dividends and capital gains distributions. Performance does not reflect the deduction of taxes that a shareholder would pay on a fund distribution or the redemption of fund shares. Please go to Morningstar's and/or Lipper's websites for more information.

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